At-home diagnostic test kits continue upward spiral

Raley's, a Sacramento-based combo chain, merchandises pregnancy and ovulation test kits along with condoms and spermicidal gels in a specially plan-o-grammed family planning unit located directly in front of the pharmacy in its Woodland, Calif., store.

More consumers than ever before are dipping and sticking themselves, as sales of at-home diagnostic test kits continue their upward spiral.

According to drug chain buyers' projections, sales of at-home diagnostic test kits are likely to increase by 31 percent in 1988.

In terms of dollars, one long-term projection by Arthur D. Little, a Massachusetts consulting and research firm, projects that the OTC diagnostics market will hit $610 million by 1990, nearly triple what it was in 1985.

While the driving force behind record sales in this category has been a handful of pregnancy test kits that include Warner-Lambert's E.P.T. Plus, Tambrands' First Response, Ortho's Daisy 2 and Fact, Carter-Wallace's Answer Plus and Becton Dickinson's QTest, it looks as though that will be changing.

Although pregnancy test kits are expected to help continue driving up retail sales of at-home diagnostics, Pipeline Research, a marketing research firm believes that ovulation test kits, many manufactured under already recognized names as the pregnancy test kits, will be the darlings of this category in 1988.

But while ovulation and pregnancy test kits dominate the at-home diagnostic category's sales growth for now, the buyers were quick to caution not to overlook the approximately 300,000 diabetics who will purchase at-home testing equipment in 1988.

Diabetics appreciative

"An average diabetic customer buys three times more than one who is not diabetic," said Rosemary North, buyer, Snyder's Drug. "Once diabetic customers know you will go out of your way to accommodate their needs, that customer is yours."

In the area of diabetic testing, one of the hottest items is a monitor that measures blood glucose when a specially formulated strip with a user's blood smear is inserted. Currently leading the charge in that category are Ame's Glucometer II and Boehringer Mannheim's Accu-check II. Baxter Healthcare has recently announced it will introduce its ExacTech Blood Glucose Monitoring System, a high tech monitoring device that is the size of a pen or pencil.

49% of the retail drug merchants surveyed said that at-home diagnostic test kits will be one of the hottest growing merchandise categories in 1988.

Retail drug merchants surveyed said that the at-home diagnostic test market will increase by 31% in 1988.

Source: Lebhar-Friedman research

A major drawback for merchandising any of these devices however is their high ticket price, usually from $150 to $200. But once a machine is sold, the strip that is formulated for use with that particular machine becomes a demand purchase.

"We can sell as many as 3,000 bottles of strips alone on one ad," said North, "That's where the real return is, and not only in dollars."

Many chains recognize that purchasers of this devices often need help in choosing the brand best for them.

At Kinney Drugs, the pharmacist is encouraged to help customers in choosing all at-home diagnostic test kits.

"Our pharmacists play an important role in helping consumers understand the various test kits," said buyer Elaine Matott.

Retailers are hopeful that their at-home diagnostic category will expand into other areas over the next few years. They expect to see self-tests for cholesterol and strep throat. Tambrands already has an approved at-home test for strep throat in Canada.

"I've been hearing a lot about a possible cholesterol kit but haven't seen one yet," said North. "I think they will be a big hit when they eventually reach the marketplace."

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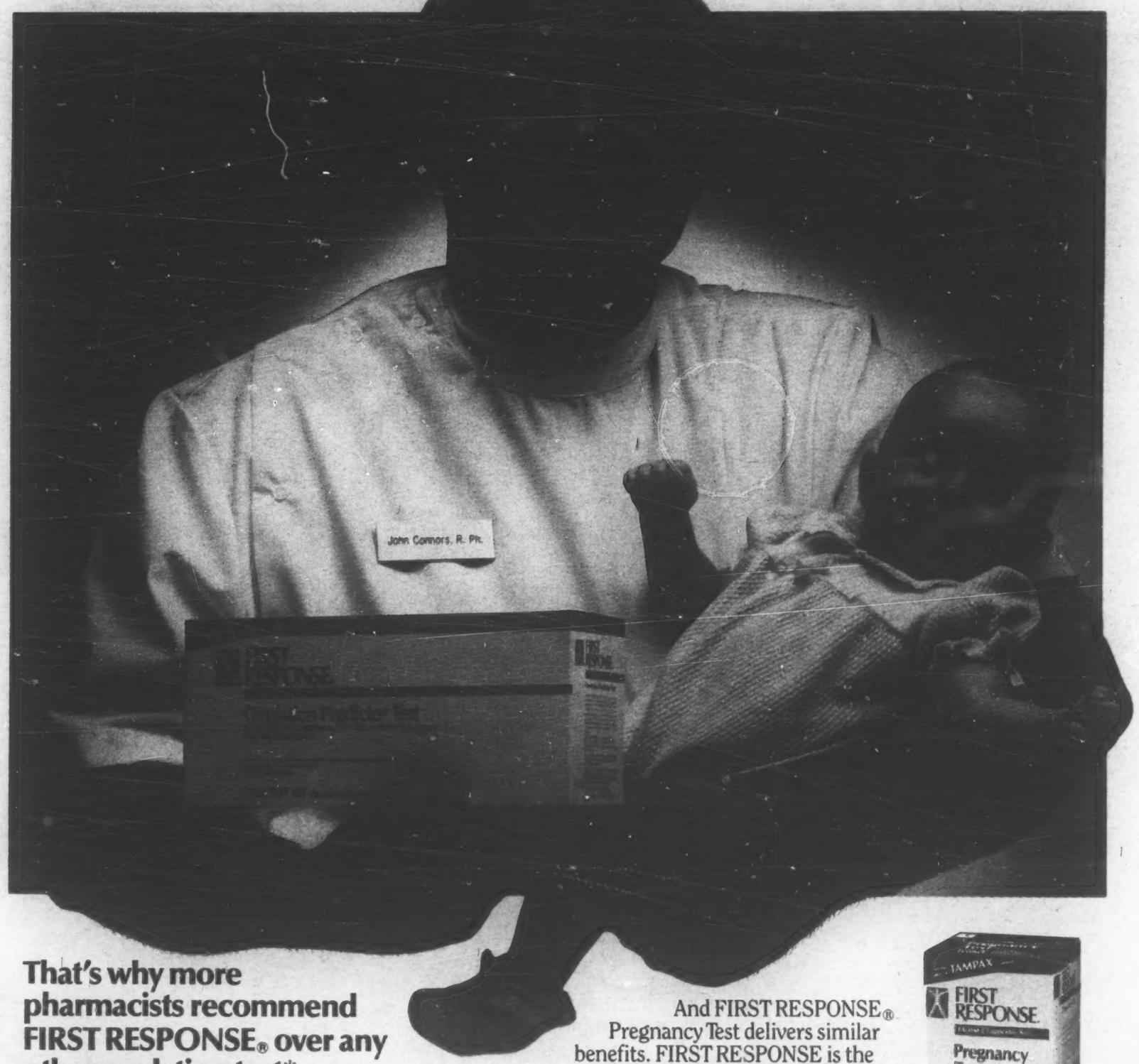

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TRENDS

Hot products: Video

Home video revolution reaches high-water mark

This category has proven to be an explosive segment for drug chains; but success requires retailers to stock enough copies of the latest rental hits

With VCRs now found in more than 50 percent of all American households, the home video revolution has reached a high-water mark, with a remarkable level of penetration in just a few short years as an industry.

The attainment of such remarkable household penetration in such a short time, and the multibillion-dollar market for tape sales and rentals it has spawned, have made video an explosive growth segment for drug chains, but one fraught with perils as well.

Those perils have been well-documented. The fast growth has caused problems. Price-cutting and the scramble for enough copies of the hottest new releases has already put some smaller, less-capitalized operators out of business, and forced new levels of discipline on drug chains that devote space to rentals.

"The rental business is evolving rapidly, and for a business that's only eight or nine years old, it's starting to look pretty mature," said Gene Fink of WIN records and video, a New York-area distributor.

"I think the shakeout will really accelerate in the next year or two, with a lot of mom and pops closing up. The mom and pops don't have the capital for enough copies to satisfy enough customers, and the renting public is becoming more disenchanted with those kinds of stores," Fink said.

He added: "They've already been through all the older movies, and they want the hottest new selections or they'll take their business to one of the bigger shops."

Both factors—the growing competition from big video chains with huge selections, and the expense and difficulty in obtaining enough copies of the most popular titles—have been enough to keep some drug chains out of the rental business.

The president of one of the Midwest's fastest-growing drug chains noted: "We don't plan to get into the rental business, because there are competitors on every corner and you have to spend a fortune to get the hot tapes. Then, in six weeks, the public wants some other movie, and you're stuck with a dozen copies of an $80 item that nobody wants."

"We don't plan to get into it," added another chain executive in Michigan. "There are already too many competitors, and the margins don't justify the effort and ROI for us."

Many other drug chains, however, have shrugged off those challenges and waded into what can be a profitable, traffic-boosting category.

Among newer entrants are CVS, Walgreens and Long Island's Austin Drug, which tied in a successful Christmas promotion using Walt Disney's newly-released video of *Lady and the Tramp*.

Another recent entry into video rental is the fast-growing Phar-Mor deep discount drug chain. Phar-Mor dazzled the video rental market in Chicagoland with a new, high-volume video rental business centered in a brightly-lit kiosk at the front of the store.

By offering its rentals at 69 cents a night—the lowest price in town—Phar-Mor has built a high-volume business in a few short months, and recently developed a much larger video center for its newest Chicago-area store, according to spokesperson Carol Robinson.

47% of the retail drug merchants surveyed said that video will be one of the hottest growing merchandise categories in 1988.

Retail drug merchants surveyed said that the market will increase by 27.7% in 1988.

Source: Lebhar-Friedman research

To avoid the pitfalls plaguing many mom and pops, however, most drug chains which have gotten into the business rely on outside expertise—including full-service wholesale distributors, rack jobbers and even leased vending machines stocked by others—to handle many facets of the business.

"There are now about 400 to 500 new releases a month, and we have to boil that down for our retail customers," Fink said. "With tapes costing them $60 at wholesale, we can't afford to recommend bad titles."

In terms of blank videotape, the industry's rapid maturity means a slowdown in new sales growth, and a scaling back to single-digit growth projections in the number of VCRs and blank video tapes sold in future years.

The original Electronics Industry Association forecast for 13.7 million VCRs and 340 million blank videocassettes sold to retailers this year has now been reduced to 13.5 million VCRs and 310 million pieces of blank tape, due to an overall flatness in the market in the first half of the year.

In terms of blank tape, noted one industry executive, "We are now dealing with a market which can be considered mature, and this translates to more conservative growth rates.

"We will no longer see the dramatic double-digit annual growth experienced during the period 1983 through 1986 because household penetration has soared from less than 20 percent to a substantial 50 percent level," said general manager R. Stanton Bauer of Fuji Photo Film USA's Magnetic Products Division.

Bauer was quick to add, however, that "single-digit growth on an immense base is still impressive growth."

Together with supermarkets, in fact, drug stores have done most in recent months to capitalize on the continuing demand for blank videotape.

"Over the last 12 to 18 months, the food and drug channels have enjoyed the most growth, and now constitute 11 percent of total videocassette sales," Bauer noted in a recent report. "We believe that these two channels, in particular, will continue on a fast growth curve throughout the balance of the '80s."

One reason: the growing importance of female buyers in a once-male dominated category. Women—who dominate the drug store and supermarket shopping environment—now make up about half the market for blank videotape, according to Bauer, and their importance continues to grow. As it does, it is shifting the balance in favor of drug and supermarket chains.

Retailers seem to agree. Noted Frank Newman, president of the F&M Distributors chain of off-price drug and H&BA stores: "Blank video has been a very strong category for us, with sales up 300 percent in the past year."

Newman attributed the gains to both the boom in demand and F&M's own more aggressive marketing efforts.

Overall, according to Bauer, mass market discount chains continue to dominate the blank tape market, with about 35 percent of total sales in units.

One variable that is sure to have an effect on the entire video market—both sale and rental—is the advent of two new high-tech videocassette recording formats. Called Super VHS and ED Beta, the new VCRs and tapes offer vastly improved image quality over older equipment and tape. One manufacturer compared the new technology to that of digital recording or compact discs compared with LPs.

Unknown, however, is how quickly the new, more expensive tapes and VCRs will win space on retail shelves. Besides their higher cost, the new tapes are incompatible with older VCRs, and they offer high-resolution picture benefits most TVs aren't equipped to properly show off.

Another challenge for the new technology: inventory levels of older VCRs are still backed up an estimated 60 to 90 days in oversupply at the factory, wholesale and retail levels, according to *New York Newsday*.

Pay 'n Save offers an extensive video rental department, and hanging signs tout the chain's very low price of 99 cents per title per day.

Price-cutting and the scramble for the newest releases has put some smaller, less-capitalized operators out of business, and forced new levels of discipline on drug chains that devote space to rentals.

Office supplies capitalize on need to organize

With increasing numbers of people working from their homes, the local drug store, with its competitive prices, is a favored resource

People are trying to get better organized.

More and more, they're working from their homes, and when they shop, they want convenience.

These concerns have made office supplies—and stationery in general—a highly profitable core department in drug stores across the country.

"Organization is a big subject—it's selling this year," said Cynthia Stahley, assistant stationery buyer for Genovese Drugs.

"Consumers are looking for convenience," said Mary Loeser, school and office coordinator at Bartell Drug in Washington state. Loeser said shoppers prefer the corner drug store to the specialty office supply store when the latter is remotely sited or in hard-to-reach shopping malls.

"We're getting competitive with the commercial people—certainly, we have competitive prices," Loeser added.

Office supplies took a top spot in *Drug Store News*' survey of hot merchandise categories, as the fifth most frequently named growth category. Drug merchants predicted it will grow 17.3 percent in 1988.

Stationery vendors are shifting more attention to drug chains and mass merchandisers and away from commercial office supply outlets, as they perceive mass retailers' strengths in merchandising this category, said Brian Huart, stationery buyer for Brooks Drug in Rhode Island.

What's selling best in the office supplies, everyone agrees, are the unglamorous items: business envelopes ("Tons!" as one buyer put it.), tablets, legal and memo pads, steno books, typing paper, file cards, and writing instruments.

"The consummable, good, basic merchandise," summed up Larry Ishii, general merchandise buyer for Vons.

Vons expects the category to grow 12 percent to 15 percent in '88, "over an already successful '87, " said Anthony Fanticola, vp-general merchandise.

The California chain is expanding office supplies in its new food/drug format, devoting about 12 feet of the section to peggables, of which 30 percent to 35 percent is writing instruments.

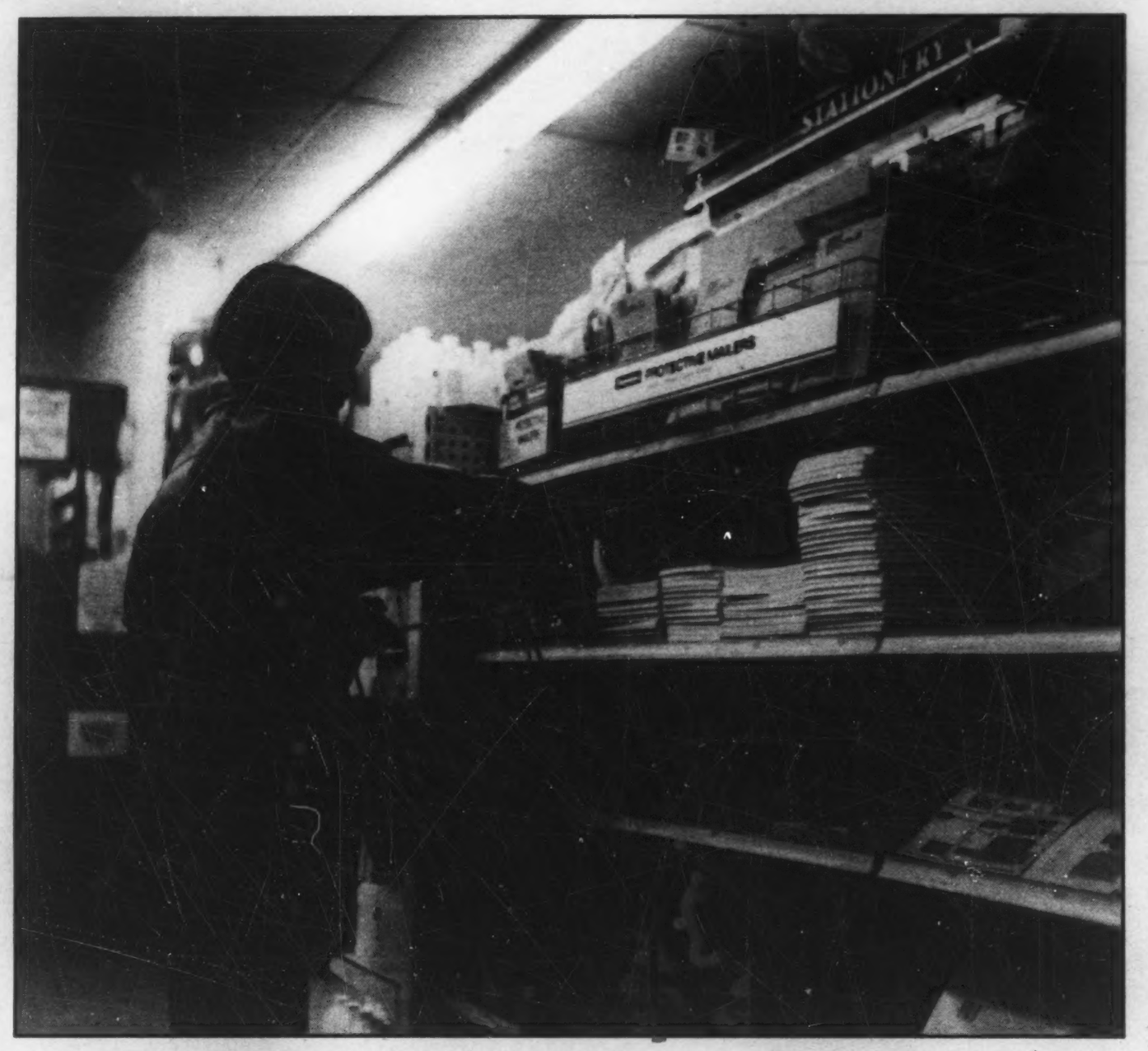
For some chains, added business is coming from mailing supplies, such as padded mailing bags, white boxes and wrapping tape. "Companies are coming to us with programs they've developed for the mass market," said Huart.

Brooks added mailing supplies when it replanogrammed the stationery department in July. It picked up space for mailing supplies in moving the category from a gondola onto the wall. Brooks carries "Wrap and Mail" from Tape Inc. and lower price-point giftwrap packages and boxes. "We want to be a one-stop store in stationery," he said.

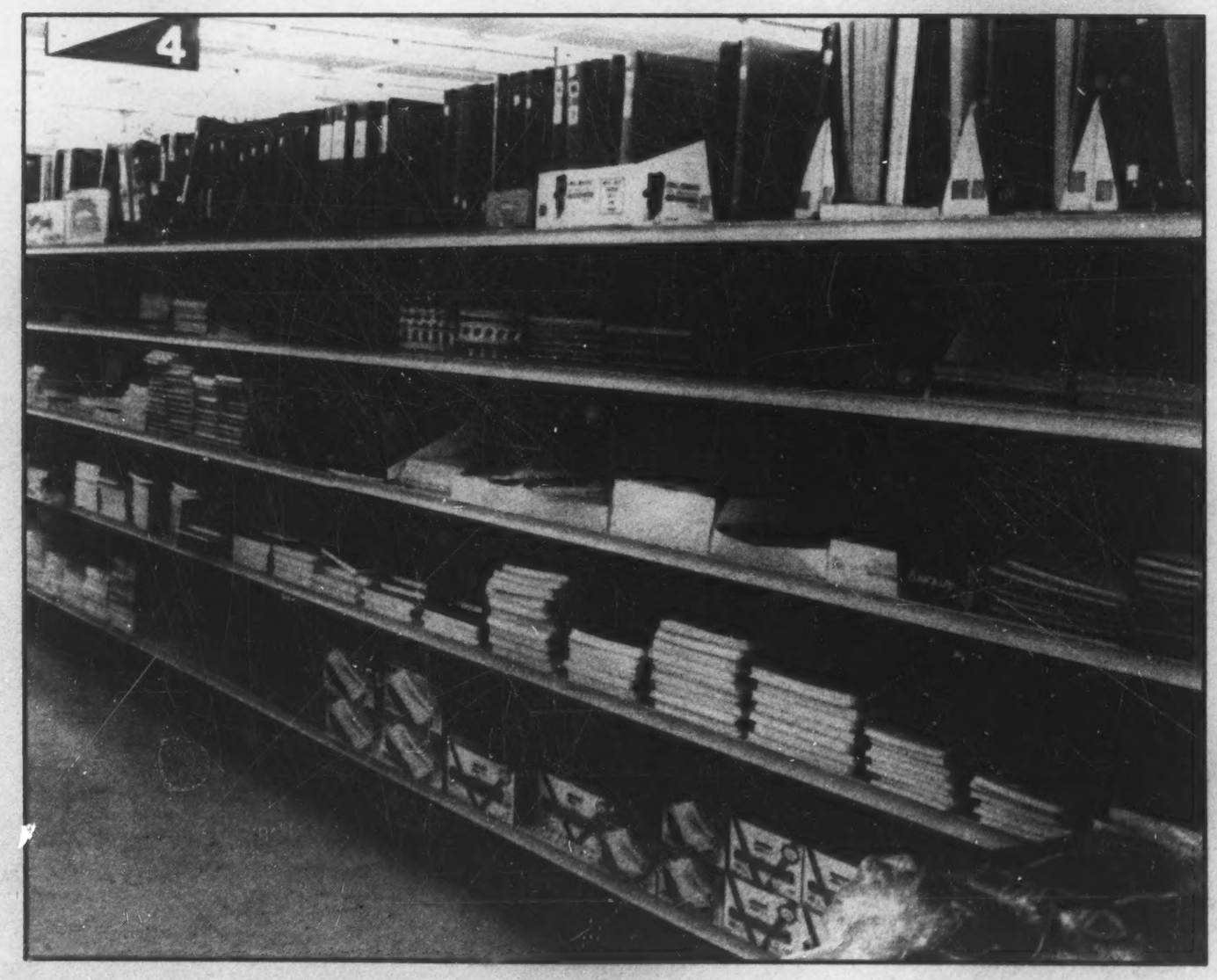
Buyers' early '87 prediction that color would brighten sales was borne out during the year and will continue to be important in '88, they say. Fashion surfaced in everything from legal pads to Rubbermaid's and Eldon's desk accessories lines. "Customers like the fashion colors," said Bartell's Loeser.

"Colored paper is growing, and the coloring of accessories attracts shoppers," especially women, said Genovese's Stahley.

"Desk accessories have sales potential," Ishii said, "but they're not frontrunners, in terms of dollars." While retailers are always looking for subcategories to exploit, "the thrust is basic items," he maintained.



Mailers and envelopes are hot items in the office supply section of stationery departments, such as this one in Genovese's Ardsley, N.Y., store.



Drug stores such as this Happy Harry's in Wilmington, Del., offer convenience to consumers too busy to seek out a specialty store for office supplies.

"People are looking for quality at a low price," Loeser said. "They're taking a hard look at what their needs are at home." She added that Bartell is looking at lower-priced briefcases and portfolios, because of customer requests.

Customers aren't the only ones yearning for better organization: Chains find it a challenge to keep their stationery shelves neat. For many, such shelf organizers as the lucite Mead Merchandising System (MMS) are the answer to their prayers. "We use them chainwide," Huart said. "They're tremendous."

But messy or neat, the variety has to be there, some buyers said. Rite Aid, for example, replanogrammed stationery last year: "We cut down facings, and put in 60 more items," said Irv Trionfo, paper and stationery buyer.

Although Rite Aid also added computer paper, with modest results, some chains, such as Genovese and Brooks, are reluctant to offer computer items. "We got out of computer supplies about two years ago," said Huart. "Maybe we were too early with them, but I think people tend to go to computer stores for that."

Tax-time products may experience an upsurge in '88, Stahley thinks. She sees record-keeping products becoming more important because of tax law changes and stock market volatility: "People are more concerned about keeping their financial records."

28% of retail drug merchants surveyed say office supplies was one of hottest categories in 1987.

These merchants expect office supplies sales to increase an average 17.3% in '88.

Source: Lebhar-Friedman research

Increasingly, chains are advertising and promoting office supplies year-round. "The peaks and valleys are smoothing out," said Huart.

"We're highlighting office supplies more often," Stahley said, adding that such discount office supply chains as Staples are calling attention to home/office supplies. "They make customers more aware of product lines—that makes our section grow."

"In the past, there wasn't the emphasis on the department," said Loeser. But today, it's regularly promoted by most chains.

Bartell now advertises something from the department regularly, with mailing supplies stressed at Christmas. "The more we advertise, the better," said Loeser.

Aisle stacks and deep inventories of cookies and candy drive home a value message in this Chicago Phar-Mor store.

Consumers turning to drug stores for their quick-stop grocery needs

Most drug chain merchandisers say food and grocery sales increased at least 20 percent in 1987, and should generate even stronger growth in 1988.

Buyers say their fastest growth segments in food were: candy; snacks; refrigerated convenience foods (milk, juices, yogart, etc.); soft drinks and other beverages, especially single-can cold sodas, bottled juices and Gator Aid; and promotional groceries like canned fish, cake mixes, jams, jellies, and microwave popcorn.

Buyers tell *Drug Store News* they attribute the category's growth to a number of factors including:

28% of retail drug merchants said food will be one of the fastest growing categories in 1988.

Drug merchants predict food sales will increase an average 22.4% in 1988 vs. 1987.

Source: Lebhar-Friedman research

- The expansion of convenience food sections in chains like Walgreen's and Eckerd;
- The increased frequency of featuring food items in circulars and weekly newspaper ads;
- The increased use of shopper displays to put more food and snack products out in the high traffic aisles of the average chain drugstore;
- The expansion of permanent everyday space for promotional groceries in chains like Longs Drug, CVS, Rock Bottom, Genovese, Drug Emporium, Eckerd's, and People's.
- The expansion of the product mix into such segments as microwavable popcorn and cake mixes, canned pineapples, canned shrimp and salmon, imported candies, english muffins, and asceptic juices.

At Eckerd Drug in Florida, Pete Agostino who is the corporate merchandise manager responsible for Eckerd's grocery merchandising, says his food growth in the past year has been "substantial" with sales increasing at double digit rates.

In California, Bill Combs, vp-administration for Longs Drug, says food sales have been "good," partly because Longs is extremely competitive on price and partly because consumers are used to buying foods in the Longs drug stores.

On the East Coast, Gary Lefferts, president of Austin Drug in East Meadow, N. Y., says sales of his snacks, candies and promotional groceries have been consistently strong. "We're getting good steady growth from that category," he says.

Drug chain buyers tell *Drug Store News* that they are using their food category in two ways: as a traffic builder with a high consumption level and with higher gross profit margins than the more competitive H&BA categories like shampoos and toothpastes; and as profit builders, especially in such segments as snacks, imported candies, large size candy bars, and select convenience grocery items like juices, cheeses, frozen pizzas, and gourmet ice creams like Häagen Dazs and Frusen Gladje.

Chains with stores in high traffic urban centers are also particularly enamored of foods.

In New York City, Eli Cohen, president of Duane Reade, whose stores attract huge blocks of inner city office workers, says his chain stocks food as an "accomodation to our customers."

"Snacks and candy sell particularly well for us," he says, "and their sales to date are up 20 percent over the last year.

"Many of these items are loss leaders for the food chains and we don't make much money on them, but we manage to be competitive, and we do it because we feel we owe it to customers as a service."

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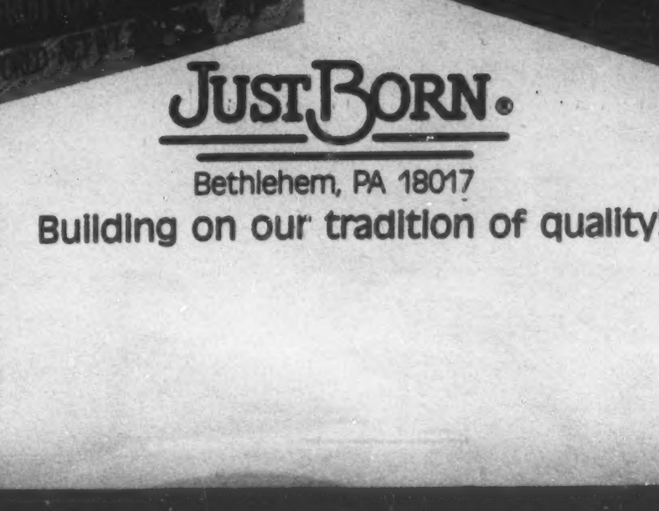

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Retailers cash in as photofinishing sales develop

The burgeoning popularity of point-and-shoot 35 mm cameras spurs corresponding increases in sales volume for quality photofinishing

The market for photofinishing remains a healthy one, driven by the continuing popularity of a new generation of easy-to-use, point-and-shoot 35mm cameras. More than ever, chain and independent drug stores are marketing quality rapid developing services for amateur film buffs, and reaping the benefits of higher sales.

"We're expecting growth of 11 percent to 12 percent in photofinishing in 1987, on top of 13.9 billion exposures taken in 1986," said Ted Fox, editor of the Photo Marketing Association's Industry Trends Report. "The growth surprised some people, since prior-year growth levels have been around 6 to 7 percent."

Fox and other industry participants, including chain drug photofinishing managers, attributed most of the boom to the corresponding explosion in sales of point-and-shoot 35s. The 35mm camera market has spawned a new generation of more serious, quality-minded amateur shutterbugs and more picture-taking in general.

"Nineteen eight-seven was really a breakout year in point-and-shoot lens shutter cameras, which went from 5 million units sold in 1986 to about 7 million last year," Fox said. "The ease of operation of the point-and-shoot 35s, and the improved clarity of prints they offer, has led to a step-up consumer and a big increase in exposure levels."

"Photo processing sales grew more in 1987 than the analysts predicted, and the growth is all in 35mm," agreed the photo marketing manager for one of the nation's biggest drug chains. "This is especially true now that Kodak is shifting away from disc in favor of 35."

The photo department in this H.E.B. San Antonio, Texas, combo features easy access at a site adjacent to the front door.

26% of retailers polled in Drug Stores News' survey of merchandise categories ranked photofinishing as among the hottest departments.

Retailers predict photofinishing sales will grow 20.1% in 1988.

Source: Lebhar-Friedman research

money in their cameras to want to use them more frequently," he added. "The 35mm amateur is going to be a lot more serious and dedicated about picture-taking than the old pocket camera buffs."

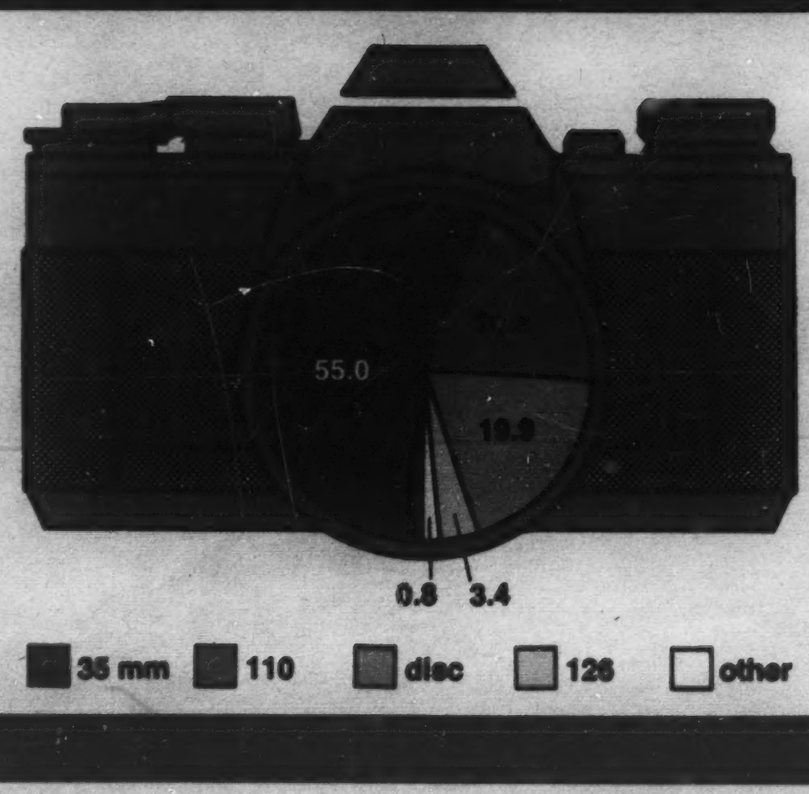
For drug store retailers, however, the growth will not be automatic, and profits will be harder to come by as competition increases. "The independents are going to get killed in this business unless they're smart and learn to market their service," said one photofinishing manager. "Basically, the chains and independents who promote aggressively, have convenient locations, and market quality as well as price, will do well."

The disappearance of many wholesale developers is also changing the way most retailers do business, he noted. In particular, the recent merger of photofinishing efforts by the industry's two biggest developers—Kodak and Colorcraft—will lead to a captive retail audience, the manager argued.

"There are no more photofinishers left but the giants," he said. "Because of that, we're going to see a rise in the cost of the service, but that's not necessarily a bad thing. The consumer has gotten used to price competition, and we're all going to have to raise our prices or lose money. The retailer has made photofinishing so competitive, it's become a price war situation, where we're either marketing quality or using it as a loss leader."

'There are no more photofinishers left but the giants,' one manager said. 'Because of that, we're going to see a rise in the cost of the service.'

Film types processed by wholesale developing labs for drug, food, and discount stores.



Agreed a spokesman for Raley's on the West Coast, "You're seeing a real price battle on processing, but we didn't choose to join that battle. Aggressive marketing and quality photofinishing is where we're putting our emphasis."

One outgrowth of the 35mm revolution has been the rise of one-hour mini-labs, which are gaining an ever-increasing market share against overnight competitors. Shutterbugs like the speed and the personal touch one-hour labs offer, as well as the ability to have prints corrected immediately if they aren't satisfied.

"Mini-labs are definitely growing, and there are now several hundred of them in drug stores around the country," said Mark Owen, marketing manager for Noritsu, a leading supplier of mini-lab photoprocessing equipment. "The mini-lab business really turned the corner in late '86 and early '87."

Owen attributed the boom to several factors, including easier-to-use machines, higher margins and smaller footprints for the machines. Chains like Eckerd Drug are putting a heavier emphasis on in-store minis, he argued, because they offer higher service levels, a better image and margins that can top 60 percent, compared with 50 percent and under for outside wholesale labs.

The newer generation of one-hour processing machines also require no plumbing—a major change that can make their installation, upkeep and mobility far easier for drug chains to manage. In addition, many suppliers now offer them on lease arrangements as well as for outright purchase, thus lowering up-front start-up costs.

"The supermarkets are a little ahead in the mini-lab business, but there are probably more than 20 drug chains already in the business," Owen noted. "For existing drug stores taking care of their own overhead and rent, mini-labs may be able to break even on a day-to-day basis on as few as 10 to 12 rolls a day."

"Mini-labs are definitely still growing as a percentage of overall business," agreed Ted Fox of the PMA.

Hot products: Nutritional supplements **TRENDS**

Vitamin supplements survive fads to pull a winner

Although fish oil supplements made a big splash early in 1987, many buyers are now looking to less faddish portions of the nutritional supplement category for their bread and butter next year.

Private-label vitamins—especially the old standbys, vitamins C and E—and calcium supplements were among the best movers in '87 and are expected to stay strong in the new year, according to chain buyers interviewed by *Drug Store News*. And fiber items are expected to remain good performers in '88, with added zip seen coming from the new Fibre Trim Sparkling Tablets.

A recent survey conducted by Lebhar-Friedman Research revealed that drug chains see nutritional supplements as one of the 10 hottest categories for 1988. Twenty-one of the 86 respondents predicted that nutritional supplements sales would increase an average 14.9 percent.

But nutritional supplements as a category means different things to different chains. For example, OTC fiber products, although perceived as part of the category by some survey respondents, were more often classed with diet aids or bulk laxatives by buyers reached later. Some chains place them adjacent to vitamins and supplements, or plan to in the new year.

However chains classify nutritional supplements, the category's sales are getting a boost from consumers' heightened interest in healthier eating and exercising habits. "There's a synergistic effect," said Tom Slovenkay, H&BA buyer for Rite Aid. "People are more into body building, and they're eating right *and* taking vitamins."

Chains want the vitamin/nutritional supplement section next to pharmacy. Peoples Drugs is moving vitamins and supplements, along with diet aids, to a spot adjacent to pharmacy this year. The move will allow the chain's pharmacists, often asked for advice on the category, to help customers without leaving their posts.

But if shoppers are more health conscious, they are also more price conscious. That's boosting sales of private-label vitamins and supplements considerably.

At Perry Drugs, private-label calcium and iron supplements have sold "very well" with price-conscious customers, said buyer Lori Shaheen. "You can't blame 'em. They're a lot less expensive."

"Private-label item sales have increased, but the brands are down," said Burtis of Kinney, speaking of calcium and vitamin supplements. "The brands create the need, and we copy them."

24% of retail drug merchants surveyed say nutritional supplements was one of the hottest categories in 1987.

Retail drug merchants surveyed expect nutritional supplements sales to increase an average 14.9% in '88.

Source: Lebhar-Friedman research

Buyers at Kinney and Rite Aid said that Os-Cal and Caltrate, along with private label, are top sellers. Peoples' Clarke said his chain shed a few calcium SKUs in 1987.

Some chains feel they gain fiber product sales by pairing the segment with supplements. But some buyers feel fiber sales are flagging.

Kerr Drugs locates dietary supplements next to vitamins and "they probably enhance each other," said Page Ilderton, a Kerr buyer.

Almost all buyers interviewed said they would also be taking a hard look at fish oils in '88. "Fish oils have been very slow," said Shaheen. "As long as vendors advertised them, they went pretty well. But they're not the wonder child everyone expected."

Vitamins C and E, especially the less expensive private-label items, are steady sellers in nutritional supplements sections, such as this one at Genovese in Ardsley, N.Y.

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Eat 'n *Lose*® is the only product on the market with a complete fiber balance . . . it contains all of the 7 fibers that a diet rich in whole grains, vegetables, nuts and fruits would supply. And Eat 'n *Lose*® is packaged in convenient individual packets, enabling dieters to sprinkle the fibers directly on their food, ingesting the fiber in the course of eating balanced, satisfying meals.

This way is far superior to having to wash down bulk tablets with 5 glasses of water three times a day.

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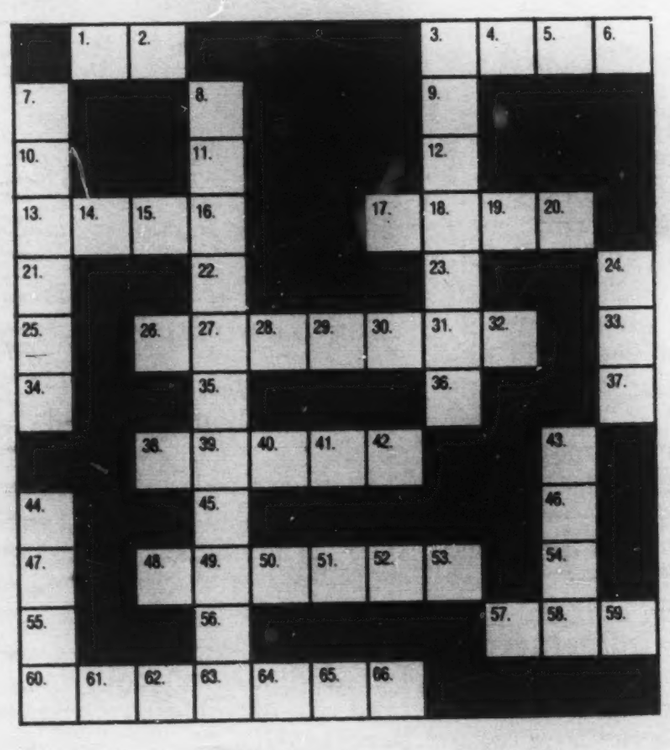
To be eligible to win a full length, natural mink coat plus a 5% extra discount rebate on your next Eat 'n *Lose*® purchase, correctly complete this crossword puzzle and mail it with your name, company name, and address to:

Mr. Dunnan Edell, Vice President, Sales
Nutritional Products of America
200 Murray Hill Parkway, East Rutherford, N.J. 07073

All entries must be received by Feb. 15, 1988.
Drawing of correct entries will be made on March 1, 1988.
Winners will be announced on March 15, 1988.



Across

1. Eat 'n Lose advertising will be on national...
3. Eat 'n Lose was developed by...
13. Eat 'n Lose has more than just...
17. One of two most widespread deficiencies...
26. Other most widespread deficiency..
38. Number of different fibers in Eat 'n Lose...
48. Your customers will lose it...
57. Eat 'n Lose deserves an additional...
60. With this product, dieters can do both...

Down

3. Eat 'n Lose has more than just...
7. Eat 'n Lose has a complete balance of them...
8. Call him to order...
24. When should you order...
43. How'd you like to win a ------ coat...
44. # of glasses of water needed with bulk tablets...

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TRENDS

Hot products: Cough-cold medications

New intros, flavors spark cough/cold category

. . . and drugs that have made the switch from Rx to OTC have proven popular with consumers pursuing self-medication

The successful introduction of new cough/cold products and old products with new flavors boosted sales in that category in 1987, a trend that is expected to continue next year.

According to a survey of drug chain store buyers conducted by *Drug Store News*, 23 percent cited the cough/cold category as the one of the ten hottest categories in 1987.

The buyers also predicted this category will grow by at least 11 percent in 1988.

Much of that cough/cold product growth can be attributed to the popularity of drugs which have made the switch from prescription to OTC status that has followed the trend of consumer self-medication.

Several buyers interviewed said that consumers would rather purchase switched drugs because they feel they are more potent than those drugs that have been approved only as OTCs.

A buyer for Perry specifically cited A.H. Robins' Dimetane and Dimetapp and Schering's Drixoral, all former prescription drugs with current OTC status, as winners for the Michigan-based chain this year.

23% of the retail drug merchants surveyed said that the cough/cold category would be one of the fastest growing categories in 1988.

The retail drug merchants said that a 11.3% increase in the cough/cold category was expected in 1988.

Source: Lebhar-Friedman research

A family purchasing cough/cold medications.

Robins and Schering expanded their very successful Dimetapp and Drixoral products to include a formulation that contains an analgesic. Dimetapp Plus and Druxorial Plus were launched in an effort to increase consumer demand by offering multi-symptom ingredients, eliminating the need for consumers who require an analgesic to purchase more than one product.

According to Page Ilderton, buyer for the North Carolina-based Kerr Drug Drixoral Plus was one new introduction which did extremely well at Kerr this year. Ilderton said sales of this category in general are expected to increase as the cough/cold season continues.

Drixoral Plus also received high marks from Medi-Save, a chain based in St. Louis. The product was featured in their ads and in-store displays.

Expansion of category

The cough/cold category proved so successful for some chains, it was necessary to introduce new plans that feature more shelf space and displays.

Dart expanded its product lines and added two feet of shelf space to accommodate the new cough/cold products. Kerr also increased SKUs in this category during the past year and Perry displayed cough/cold products on endcaps designed to tie in with ads.

Some buyers felt that positioning products near a pharmacist who is willing to discuss product benefits and drawbacks with consumers is a key selling tool, creating a customer service which gives a chain an edge on competing stores.

Perry is one chain that merchandised their cough/cold product category near the prescription department to allow pharmacists to consult with customers who had questions as to what product to purchase.

But Rx to OTC switched products weren't the only cough/cold products to do well in 1987. Buyers said that at least one perennial favorite introduced in a different flavor did pretty well.

Vicks Nyquil products continued to enjoy strong sales last year. In particular, Vicks Cherry Nyquil had a very strong introduction and was mentioned by a number of buyers as a product with strong sales this year. Other flavored cough/cold products had brisk sales as well.

"We put up a seasonal endcap in October that remains in place for six months to last through cold and flu season," said a buyer for a Washington chain. "The endcap displays a variety of products, nasal sprays, inhalers and cold products." The endcap featured a number of Vicks products this year. He said Vicks Cherry Nyquil had particularly strong sales after its introduction.

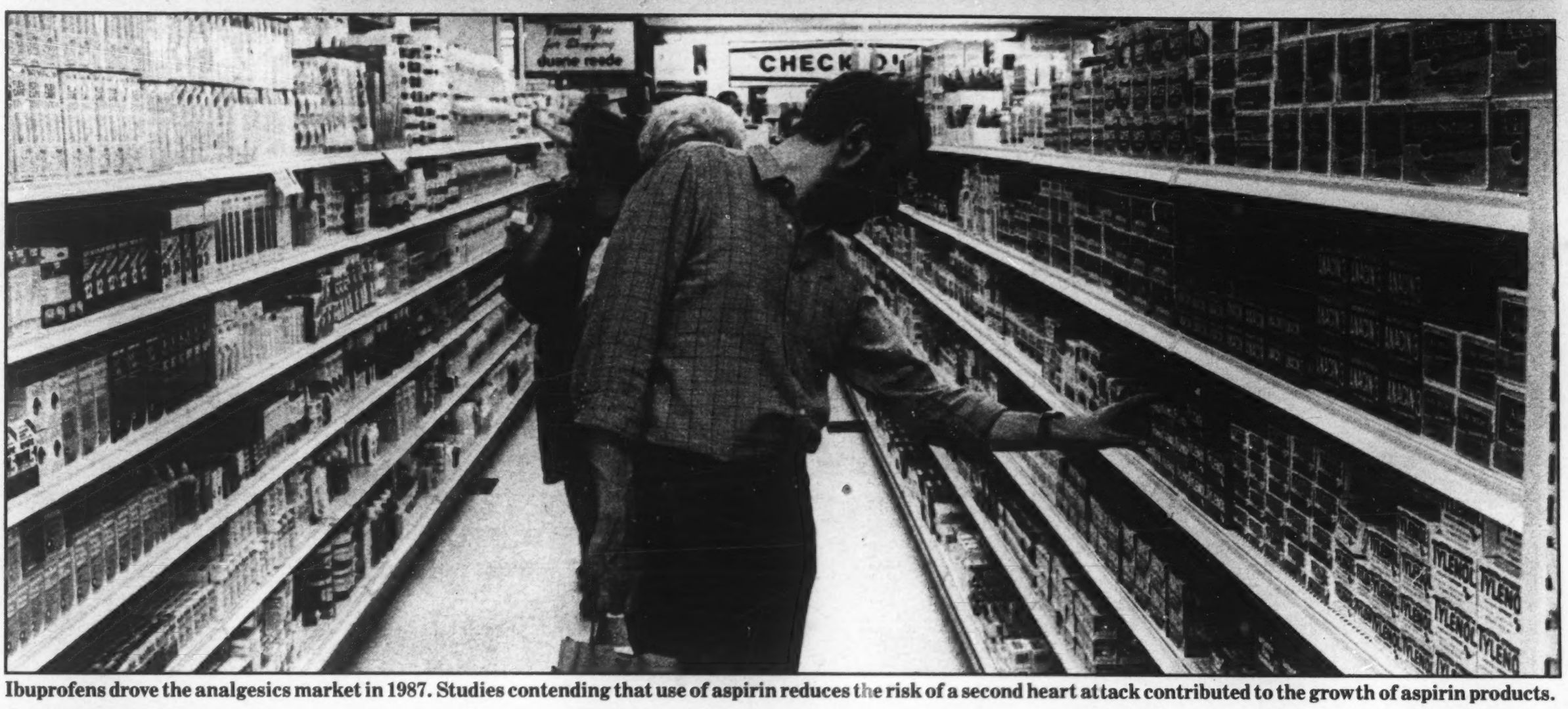
Alka Seltzer Plus Night Time, introduced this year, was also frequently mentioned as a product that enjoyed a healthy consumer demand.

Crossover common

Crossover usage of allergy and cough/cold products also contributed to overall growth of the category. The separation of products used to treat allergies and those used to treat cough/cold is becoming blurred as more products designed to treat allergies are being used by consumers to relieve stuffiness and runny nose symptoms common to colds and flus.

Eli Cohen, president of Duane Reade said that the New York-based chain witnessed "a tremendous growth in sales of allergy medications in August through September," when pollen counts soared.

Cohen believes that some of that volume was due to allergy medications purchased for use to relieve cold and flu symptoms. Duane Reade expects cough/cold products to enjoy reasonable growth during the remainder of the cold/flu season.



Ibuprofens drove the analgesics market in 1987. Studies contending that use of aspirin reduces the risk of a second heart attack contributed to the growth of aspirin products.

Analgesics are no headache, thanks to ibuprofen

The overall aging of the population, an increase in self-medication, and the high cost of health care contribute to growth in analgesics sales

Ibuprofen products continued to be a significant factor in the steady growth of the analgesics market during the past year, and are expected to help continue to drive sales of that category up in 1988.

Since ibuprofen was approved by the FDA two years ago for over-the-counter sale, the analgesics category has continued to grow with the introduction of new brand and private label ibuprofen products and the expansion of existing branded analgesic product lines.

A total of 22 percent of the buyers surveyed in a recent *Drug Store News* poll cited analgesics as a "hot" product category in 1987, with sales expected to increase by over 12 percent in 1988.

Still, some regional chains report that although the analgesics market grew steadily during 1987, the growth rate is minor compared to the growth experienced in the category directly after OTC ibuprofens were introduced. "The introduction of ibuprofen two years ago started the growth and the comeback of aspirin-free products," said Eli Cohen, president of Duane Reade, a New York-based chain. "The category will continue to grow, but I would not say that growth has been substantial this year."

Lori Shaheen, a buyer for the Perry chain, disagreed with *Drug Store News*' findings. She felt that not enough new analgesics were introduced to warrant labeling the category as "hot."

Other retailers though, cited the overall aging of the population, an increase in self-medication and the high cost of professional health care as major factors contributing to the growth of the analgesics category.

Tim Bayer, a buyer for Medicine Shoppe, reported that the analgesic market was the strongest category in 1987 for his chain, with ibuprofen products leading the way. In particular, Medicine Shoppe's private label ibuprofen sold very well this past year, according to Bayer.

Private label ibuprofen pain relievers were also added to analgesics inventories by Medi-Save, a Louisiana-based chain, and in North Carolina by Kerr Drug.

Kerr's private label was introduced recently, said buyer Page Ilderton. "We expect strong sales, but it is too early to tell at this point," she said.

"All ibuprofen products did well in 1987," said a buyer for a Michigan chain. "We added new products to expand categories and we've seen a rash of ibuprofens marketed to special segments, such as analgesics positioned to relieve menstrual cramps. We have responded by giving consumers a much broader choice in the ibuprofen-based pain reliever category."

Last year, Bristol-Myers expanded its ibuprofen product line with the introduction of Nuprin caplets. As a result, sales of Nuprin rose at Kerr, according to Ilderton, although Whitehall Labs' Advil remained the number one seller. In Maryland, Dart Drug took advantage of Nuprin's new product launch by giving it front-page play on advertising inserts.

To accommodate the growth of the analgesic market at Kerr, Ilderton increased floor space and phased out other analgesics product lines. Medicine Shoppe increased shelf space devoted to analgesics by 10 percent this past year.

Shelf space was expanded at a Michigan-based chain as well. Buyers at the chain cut back on aspirin and non-aspirin products.

According to Pipeline Research, a marketing research company, ibuprofens grew 54 percent in 1987 at the apparent expense of extra-strength aspirin and acetaminophen products; each experienced a drop of 2 percent in their growth rates.

"I would say that ibuprofens are growing most rapidly and demanding more shelf space," said one buyer, "while aspirin is holding its own. Growth and sales are fair for non-aspirin products other than ibuprofens."

Although the survey of buyers placed analgesics near the bottom of their hottest product category list, Dilip Sedani, buyer for Hook-SupeRx, put the analgesics category at the top of his list.

According to Sedani, analgesics grabbed the chain's largest share of the OTC market sales. Sedani said that ibuprofens had the steadiest growth, but aspirin sales still accounted for the highest dollar volume.

"With the manufacturers making claims that taking aspirin reduces the risk of a second heart attack and launching campaigns to educate the public on new indications for aspirin, the category should grow," said Sedani.

In the non-aspirin category, sales of Tylenol products remained strong in 1987. Sedani said that acetaminophens did well, and identified Tylenol as the number one product in that area.

McNeil Labs introduced Children's Grape-Flavored Tylenol in chewable form last August based on research which showed grape to be the most favored flavor among children. Although the product had strong sales since September, Perry's Lori Shaheen said that sales of the product have not surpassed Children's Fruit-Flavored Tylenol, a chewable product which has remained number one, according to Sheehan, in the children's analgesics market since Schering-Plough phased out its St. Joseph's children's aspirin.

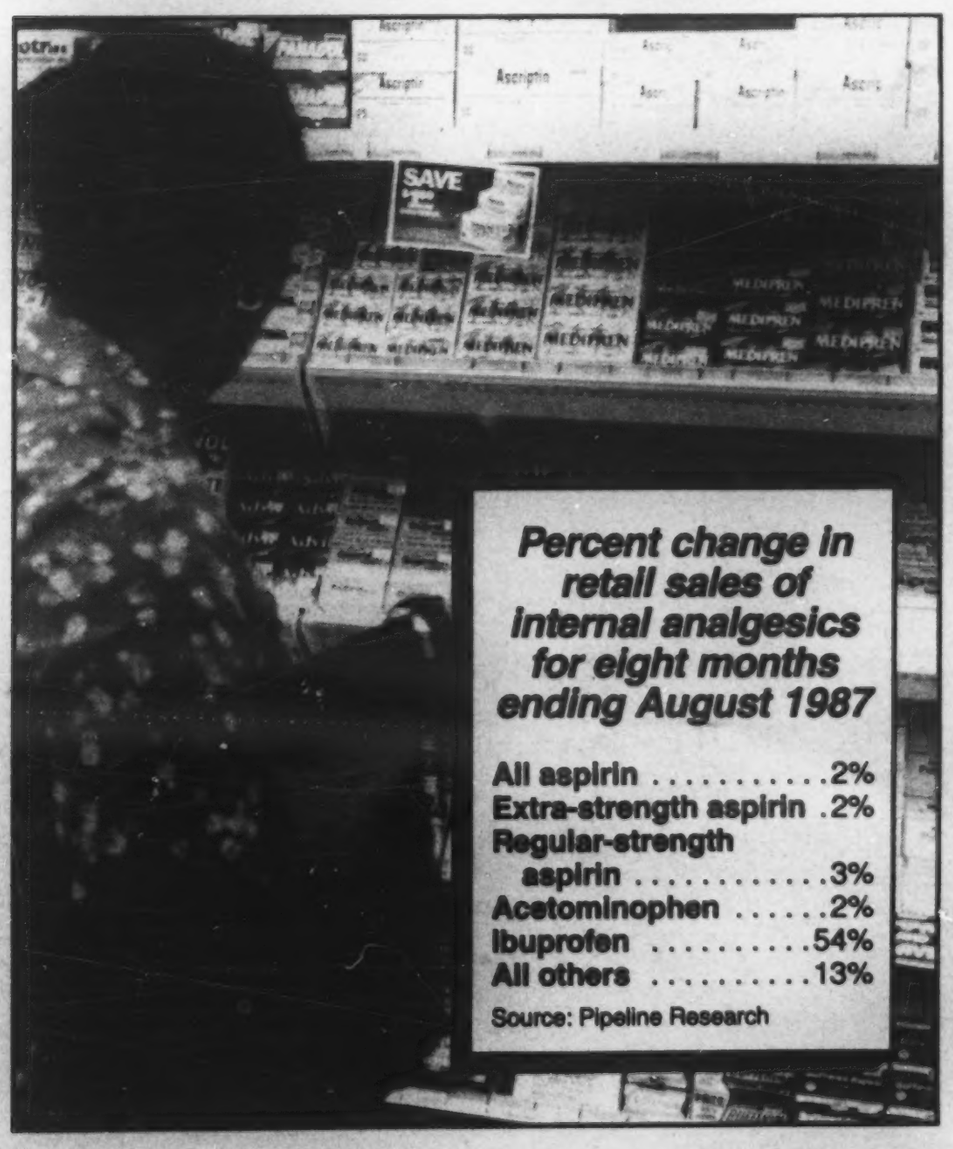
The product was withdrawn in 1986 as a response to concern over aspirin's link to Reye's Syndrome in children. Schering-Plough continues to market St. Joseph's aspirin for adults.

The firm plans to re-enter the children's market with the introduction of non-aspirin products in 1988.

22% of the retail drug merchants surveyed by Drug Store News said that analgesics would be one of the hottest merchandising categories in 1988.

Analgesic sales should increase 12.3% in 1988, according to retail drug merchants.

Source: Lebhar-Friedman research



Percent change in retail sales of internal analgesics for eight months ending August 1987

All aspirin	2%
Extra-strength aspirin	2%
Regular-strength aspirin	3%
Acetominophen	2%
Ibuprofen	54%
All others	13%

Source: Pipeline Research

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Toothette Retail Pack

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- No water or mouth rinse required – no mess, no fuss
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(Toothette® shown is actual size)

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1988 HOTTEST GROWTH CATEGORY

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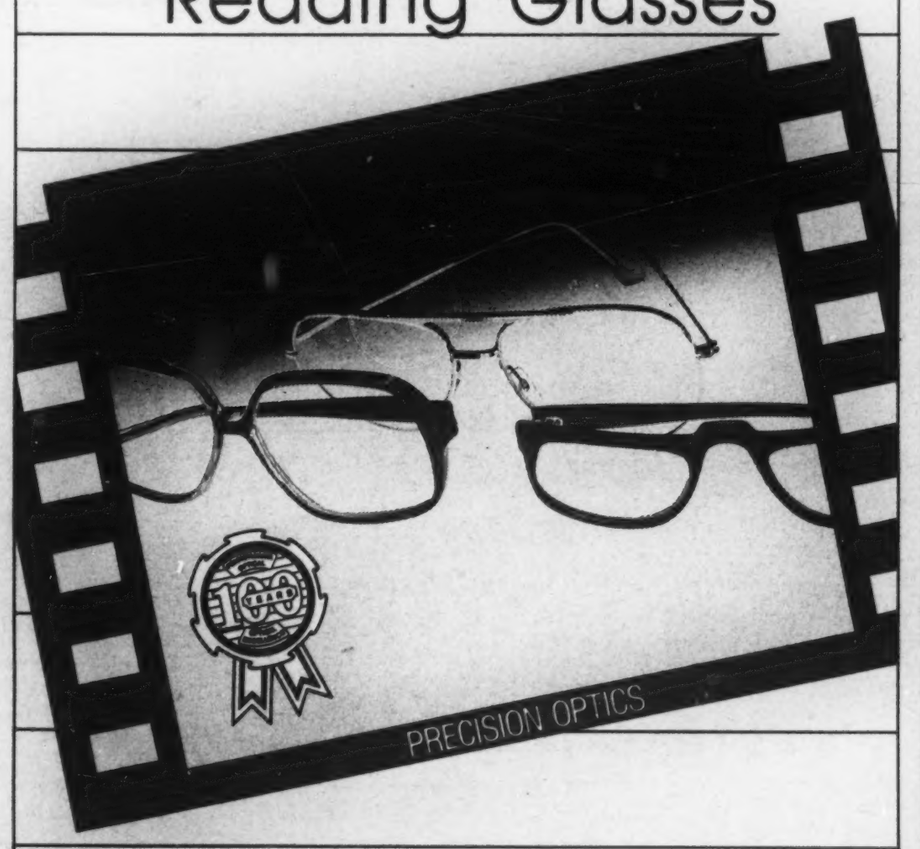

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Baby boomers eye mid-life through OTC reading glasses

Beginning at age 40, a lot of people start having trouble reading fine print.

The condition is called presbyopia, an elasticity loss in the lens of the eye. Its prevalence among members of the aging baby boom generation has helped boost retail sales of non-prescription reading glasses to $100 million-plus in 1987.

The over-40 target audience numbered 87.4 million in 1985 and is projected to be 118 million by the year 2000.

Although pioneered by Pennsylvania Optical about a century ago, the category has taken off in the past decade, as states overturned laws preventing the sale of over-the-counter reading glasses. Now, only two states—New York and Rhode Island—still have such laws on the books.

Retail merchants named OTC reading glasses as one of the hot categories of 1987. They projected that sales would increase by as much as 32 percent in '88.

And no wonder:

- They're cheaper than prescription. OTC glasses range from about $12-$15, whereas prescription reading glasses can cost three to four times that much.
- Many people don't need custom-ground prescription lenses. OTC reading glasses are essentially framed magnifying glasses at different strengths.
- Consumers like to buy spare pairs: "They lose 'em, sit on 'em, keep a pair in the car and another in the knitting bag—lots of people buy two pairs," noted one drug store buyer.
- Consumers know they're widely available through mass merchandise outlets.

Some chain buyers find reading glasses earn a high-traffic location in their stores; others locate them near the pharmacy, so pharmacists can advise on focus power or help reduce pilferage.

Rite Aid, which has carried reading glasses for about three years, switched a year-and-a-half-ago from a counter display at the pharmacy to a freestanding rack up front, near sunglasses and checkout. Now, "We can't keep them in stock," said buyer Irv Trionfo. "We do three times as much volume." He estimated the category turns about seven times a year, and sales increased 15 percent in 1987 over 1986.

Depending on the store, Alabama-based Harco locates reading glasses at the front end or, more often, close to pharmacy at the back, near a checkout. About a year-and-a-half-ago, the chain changed to a larger rack—144 items versus 96 previously. Buyer Russ McKee estimated the category generates four-and-a-half turns a year and said sales increased 50 percent in '86 over '85.

McKee says reading glasses shouldn't be merchandised with sunglasses because they are different kinds of products.

Pilferage is a consideration in merchandising reading glasses at K&B in Louisiana, which uses double racks in some stores. Stores have the option of locating reading glasses on the high-traffic center aisle, but usually, "We put them back near pharmacy, for better control of pilferage. They're a very liftable item," said buyer Stan Bevis.

At Pay 'n Save in Seattle, reading glasses "do quite well" near pharmacy, said buyer Carol Legg. They were moved there from the camera counter a few years ago. Legg reorders every two to three weeks.

Reading glasses often find a home near pharmacy, as in Rx Place's North Brunswick, N.J., store.

22% of retail drug merchants surveyed say reading glasses was one of the hottest categories in 1987.

Retail drug merchants surveyed expect reading glasses sales to increase an average 32.3% in '88.

Source: Lebhar-Friedman research

Vendors' efforts to heighten awareness and understanding of the product have been a major factor in the category's growth. They provide informational pamphlets with their displays and work with retailers regionally and locally to support reading glasses as a safe, economical solution for people having trouble reading small print.

Most vendors offer a variety of optical frame styles and fashion colors, as well as approximately nine focus powers, labelled by diopter power or other measurement systems. Displays usually also include accessories and handheld magnifiers.

Harco promotes reading glasses every 60 to 90 days in fliers mailed to homes and offers discounts about four times a year. "We reduce price on coupon, or offer 'Buy one pair, get another for $2,' " said Harco's McKee.

K&B promotes reading glasses six times a year through circulars and coupon books, sometimes offering them at $7.77 with rebate, according to Bevis.

Rite Aid doesn't advertise or promote, but regularly discounts reading glasses on the rack, offering a $12 pair for $7.99 and a $15 pair for $9.99, Trionfo said.

Pay 'n Save advertises the category once a quarter. In its coupon book mailed right after Thanksgiving, the chain offered 40 percent off any pair or accessory.

Compact Counter Display Pack (12s) takes only 2½" of shelf space.

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Packaging spurs hygiene segment
— Page 17

Sun care a year-'round market
— Beauty Beat, Page 18

Gladson Planogram: Condom strategies
— Page IP21

DRUG STORE NEWS

Vol. 10/No. 2 **Our 60th year of serving chains, wholesalers and high-volume independents** Published by Lebhar-Friedman Inc. January 18, 1988

SupeRx is off to the races

By Bruce Buckley

PHOENIX—SupeRx, the 50-store drug chain based here, will unveil a new racetrack format this month as part of its effort to increase its store base, sharpen its marketing focus, and build sales.

The 8,700-square-foot pro-

See **Racetrack,** *page 57*

Phoenix-based SupeRx Corp. is investing heavily in store upgrading and customer services.

Revco exec sweep fills three top slots

Dayton Hudson vets join Sells

By James Frederick

TWINSBURG, Ohio — In the latest stages of a sweeping overhaul of its top management team, Revco D.S. has inducted three more experienced retail executives to fill high-level posts in marketing, distribution and merchandising.

Two of the new appointees built their careers at Dayton Hudson, the diversified retail giant from which Boake Sells came to Revco as chief executive early last fall.

The new Sells management team now in place at Revco hails in large part from a broad background in retailing—far broader

See **Revco,** *page 57*

Mickey Kole quick-exits Perry

Albertson's Gary Allen fills Detroit vice president slot

'Big ship' weathers first year-end loss

PONTIAC, Mich — Perry Drugs expects its broad reorganization moves of the past year to pay off in 1988, after a first-ever, year-end loss set back 1987 recovery efforts.

"We're a big ship; it takes time to turn it around," said Berl Falbaum, Perry's vp-communications, after the company report-

See **'Big Ship',** *page 57*

PONTIAC, Mich. — Mickey Kole, a key figure in the growth of Perry Drug Stores from a single store to a multi-state retail power, has left the company unexpectedly to "pursue other business interests," according to Perry. He has been replaced as group vice president for Detroit-area drug stores by Gary Allen; a 15-year veteran of the Albertson's supermarket and combo store chain.

Kole's sudden resignation after a 30-year career with Perry reflects the intensity of the philosophical and structural changes underway at the troubled drug and auto parts chain.

See **Kole,** *page 57*

Perry Drug at year-end
(fiscal years ending Oct. 31)

	1987	1986
Sales	$726	$648
Drug store sales	550	487
Net loss	7.9	5.9[1]
Loss per share	0.79	0.59[2]
No. of drug stores	222	203
Auto parts stores	247	226
Home health businesses	9	8

Sales and earnings (except per-share figures) in millions

[1]Earnings [2]Earnings per share

(Source: Company reports)

Cautious buying gives chains a merry little Christmas

By Dave Vaczek

NEW YORK — Drug store chains had themselves a merry little Christmas.

Stirred up if not overly shaken by the restless stock market and uncertain local economies, gift-buying consumers were receptive to drug chains' value-postured seasonal mixes.

Christmas season sales increased an average of 9 percent from last year for drug chains nationwide that were surveyed by *Drug Store News*.

"It was a drug store Christmas," said Frank Gable, Harco Drug's director of merchandise.

"People thought the economy was tightening up, so they went to drug stores for last minute purchases; and that's our business," said Gable.

Agreed Ira Shain, president of Associated Chain Drug Stores: "It was a fairly good season, and the chains got what they expected."

Drug chains' seasonal percentage sales increases topped those of department stores and discount stores, which had been pegged in the 5 to 6 percent range for the five weeks preceding Christmas Day.

Chain drug growth was driven by sales of basic drug items, such as cosmetics and fragrances, and key seasonal commodities, as well as by pharmacy, drug spokespersons said.

"Early indications show very good Christmas sales, with good sell-through of seasonal merchandise, such as trim-a-tree and gift wrap," said Walgreens' spokesperson Maryellen Kari. Wal-

Continued on page 3

LATE NEWS

- LANDOVER, Md. — Fred Edwards, former senior vp-marketing at Peoples Drugs, was named senior executive vp at Dart Drug, said Sheldon Fantle, Dart's chairman and ceo. Edwards will report to Jeffrey Fantle, president and coo.

  In other appointments that Fantle said complete Dart's senior management staffing, George Loney has been named cfo, Louis Schechter as senior vp-marketing, Michael Lewis as vp-operations, and Caroline Morse, vp-administration.

- DEERFIELD, Ill. — Walgreens said its running sales for the four months ending Dec. 31 (including unreported first quarter results) were $1.69 billion, up 15.1 percent from the comparable period in 1986. The chain's sales for the calendar year 1987 were $4.5 billion, up 16 percent.

- RALEIGH, N. C. — Johnny B. Kerr was promoted to the presidency of the 82-store Kerr Drug Stores chain Jan. 1. The former executive vp continues to report to chairman and ceo Banks Kerr, who relinquished the title of president.

Walgreen plugs into checkstand scanning

WIN targets Ft. Wayne, Ind., area

DEERFIELD, Ill. — In the most advanced application yet of its Walgreen Information Network (WIN) store automation package, Walgreen Co. has begun rolling out checkstand scanning systems after a scanning test in its home Chicago market. The chain has targeted Ft. Wayne, Ind., for its first market-wide rollout by this spring.

The 1,400-store drug chain began installing scanners in Fort Wayne stores late last year, and is planning a chain-wide rollout within the next four years. Originally, Walgreens had planned for a three-year rollout.

Walgreens will piggyback the new point-of-sale systems onto its WIN store computerization capabilities. WIN, which will use on-site microprocessors and terminals to link all stores, restaurants, of-

See **Walgreens,** *page 57*

In this issue Inside Pharmacy

- Convenience store/pharmacy combos hit N. J.
- OTC buyer feedback study
- News Clips
- Washington Alert
- '87s oral drug releases
- C.E. lesson: psoriasis